



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Hanesbrands
COUNTRY: China
FACTORY CODE: 72001510731
MONITOR: Global Standards
AUDIT DATE: July 1 – 2, 2010
PRODUCTS: Knit Tops, Knit Jackets, Knit Pants
PROCESSES: Cutting, Sewing, Inspection,
Packing
NUMBER OF WORKERS: 231



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Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: [FLA Comment:](#) The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Plan Of Action: Hanesbrands' (HBI) compliance team visited the factory on November 5, 2010, and worked with factory management to refine the role of the workers' union, to let the employees express their opinions, i.e., to form an Employee Relations Committee (ERC), and to appoint the ERC representatives by workers' election. HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status.

Deadline Date: 03/31/2011

| | |
|------------------------------------|---|
| Supplier CAP: | <p><u>Short-Term Action Plan:</u></p> <ol style="list-style-type: none">1. Factory has informed all employees to prepare for voting for the employees' representative. HR department has informed all employees about this voting plan.2. Factory will conduct the employee voting in the middle of January 2011, to establish Employee Relations Committee (ERC) and representative of employees.3. The ERC and employees' representative, whom are generated by employees' voting, will establish working plan, position description, and responsibility in the second half of February 2011.4. Factory will assign a person to be responsible for keeping all activities records, i.e., meeting memo of communication between ERC and factory management; proposals from employees; progress, etc. <p><u>Long-Term Plan:</u></p> <ol style="list-style-type: none">1. Factory management will hold regular and random meetings with ERC to discuss employees' concerns and other issues.2. Factory will continuously complete and improve the functions of the ECR to make sure it can play their assigned roles properly. |
| Supplier CAP Date: | 06/30/2011 |
| Action Taken: | HBI's compliance team conducted the first follow-up visit on November 5, 2010. Factory had issued the announcement to employees and asked all employees to prepare for the coming election. HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status. |
| Plan Complete: | No |
| Plan Complete Date: | |

Freedom of Association: Employer Interference/Constitution, Elections, Administration, Activities and Programs

FOA.5 Employers shall not interfere with the right of workers to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs. (S)

Noncompliance

Explanation: The chairman of the trade union is designated by the factory.

Plan Of Action: HBI's compliance team visited the factory on November 5, 2010, and worked with factory management to refine the role of the workers' union to let the employees express their opinions, i.e., to form an Employee Relations Committee (ERC) and to appoint the ERC representatives by workers' election. HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status.

Deadline Date: 03/31/2011

Supplier CAP: The ERC committee members will be composed of employee's representatives, which are elected by employees in the middle of January 2011.

Supplier CAP Date: 06/30/2011

Action Taken: HBI's compliance team conducted the first follow-up visit on November 5, 2010. Factory had issued the announcement to employees and asked all employees to prepare for the coming election. HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status.

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Noncompliance

Explanation: The disciplinary system did not include the ability for a worker to appeal and/or question any disciplinary action against them and/or have a third party of their choice present when the disciplinary action was being imposed.

Plan Of Action: HBI's compliance team visited the factory on November 5, 2010. As discussed with factory top management, factory will review its disciplinary policy and procedures to incorporate an appeal process, and will provide training to its supervisors and employees to ensure that they are aware of their right to appeal. In addition, all disciplinary cases will be properly documented and filed. HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status.

Deadline Date: 03/31/2011

Supplier CAP: Short-Term Action Plan:

1. Factory will improve disciplinary system and amend the disciplinary procedures before the end of November 2010. The employee grievance system will be added to make sure employees have the ability to appeal and question any disciplinary action against them.
2. Factory will amend the format of the disciplinary notice to add some content to involve the ERC's comments. The details of follow-up progress also will be added.
3. Factory will provide all employees with proper training on the amended version of disciplinary procedures.

Long-Term Plan: The ERC will work closely with factory management to continuously monitor the implementation of the disciplinary procedures and communicate these issues with factory management regularly.

Supplier CAP Date: 06/30/2011

Action Taken: HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status.

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers

H&A.6 Workers must be informed when a disciplinary procedure has been initiated against them. Workers have the right to participate and be heard in any disciplinary procedure against them. Employers shall maintain written records of all disciplinary actions taken. Workers must sign all written records of disciplinary action against them. Such records must be maintained in the worker's personnel file. (P)

Noncompliance

Explanation: There are no disciplinary records kept in personnel files or records of verbal warnings.

Plan Of Action: HBI's compliance team visited the factory on November 5, 2010. As discussed with factory top management, the factory will review its disciplinary policy and procedures to incorporate an appeal process, and will provide training to its supervisors and employees to ensure that they are aware of their right to appeal. In addition, all disciplinary cases will be properly documented and filed. HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status.

Deadline Date: 03/31/2011

Supplier CAP: Factory will properly keep all disciplinary records after the revision/modification of the disciplinary policy and procedures.

Supplier CAP Date: 06/30/2011

Action Taken: HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status.

Plan No
Complete:

Plan
Complete
Date:

Non-Discrimination: Sex-Based Wage Discrimination

D.4 There shall be no differences in remuneration for men and women workers for work of equal value. Remuneration (wages, compensation) includes the basic minimum or prevailing industry wage and any additional payments to be made directly or indirectly, whether in cash or in-kind, by the employer to the worker and arising out of the workers' employment. Such additional payments include wage differentials or increments based on seniority or marital status, cost of living allowances, housing or residential allowances, family allowances, benefits in-kind such as the allotment and cleaning of work clothes or safety equipment, and social security benefits. (S)

Noncompliance

Explanation: The factory provides a dormitory for female workers free of charge, but there is no dormitory for male workers.

Plan Of Action: HBI's compliance team visited the factory on November 5, 2010. As discussed with factory top management, the factory will review its non-discrimination policy, and will provide a dormitory for male workers as well. HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status.

Deadline Date: 03/31/2011

Supplier CAP: Factory cleaned up 6 rooms as a dormitory and provided these rooms to male employees free of charge. The male workers will be given an option to choose if they would like to stay in the dormitory.

Supplier CAP Date: 06/30/2011

Action Taken: Based on the first HBI follow-up visit on November 5, 2010, the factory had prepared 6 dormitory rooms for male workers. HBI's compliance team will visit the factory before the end of November 2011 to review the progress, and will ensure that all male workers have the option to choose to stay in the dormitory arranged by the factory free of charge.

Plan Complete: No

Plan Complete Date:

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation: There is flammable material, such as fabric, stored under the stairways in front of the working area.

Plan Of Action: HBI's compliance team visited the factory on November 5, 2010. As discussed with factory top management, all flammable materials will be stored in safe places. A meeting will be held to educate supervisors on the importance of storing flammable materials in a safe location. Factory will hold training for all workers to enhance their awareness. HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status.

Deadline Date: 03/31/2011



Supplier CAP: Factory has started cleaning up these materials, and will have finished this task by November 15, 2010. Factory organized a supervisor-level management team meeting to discuss the safe storage of materials and solid wastes. Flammable materials will be prohibited from blocking the stairways in front of the working area.

Supplier CAP Date: 11/15/2010

Action Taken: HBI's compliance team conducted the first follow-up visit on November 5, 2010. The factory has moved part of the flammable materials to safe places, held a meeting with relevant supervisors, and issued an announcement. HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status.

Plan Complete: No

Plan Complete Date:

Hours of Work: Overtime/Calculation Over Period Longer Than One Week

HOW.10. Employers are allowed to calculate normal hours of work as an average over a period of longer than one week where local laws, regulations and procedures provide for such a possibility but only when all formal and procedural requirements attached to such calculation (for instance, obtaining official permission from the relevant authorities or limits to the period during which such calculations can be made) are met. The basis for such calculation shall, however, remain at all times the lesser of 48 hours per week or legal limits on hours of work in the country of manufacture or, where such legal limits do not exist, the regular work week in such country. (S)

Noncompliance

Explanation: In accordance with the "comprehensive working hours system" approved by the local labor bureau, the total normal working hours allowed was 2000 hours, and the monthly OT working hours were not to exceed 36 hours; the implementation period being 1 year, from June 2009 to May 2010. There should be 1 day off in every 7 days. In this audit, records of 5 workers were selected to check the working hours of the same period. The maximum accumulated total working hours until the end of May 2010 was 2500 – 2620 25 hours (including normal working hours of 1936 – 1976 hours, which are within the 2000 hours per year). However, the overtime hours were 628 – 648 hours per year, and the average monthly overtime was 54 hours, which exceeded the allowable monthly overtime hours of 36 hours, as per regulations.

Plan Of Action: HBI's compliance team visited the factory on November 5, 2010. As discussed with factory top management, they would come up with a plan to gradually reduce the overtime with an ultimate goal to cap it below 60 hours a week. In addition, all overtime will be on a voluntary basis. HBI's compliance team will visit the factory before the end of November 2011 to review the progress and status.

Deadline Date: 03/11/2011

Supplier CAP: Due to factory difficulties, such as material costs rising, labor cost rising, labor shortage and RMB currency, factory cannot guarantee to meet the overtime standard, which is only 36 hours per month. But, the factory will strictly control the working hours to not exceed 60 hours per week, and will make sure all employees have 1 rest day in 7 working days. Also, all OT work will be voluntary. Factory will set 36 hours overtime work per month as a long-term target. To achieve this target, factory will make all efforts in the future, including properly arranging orders, enhancing productivity, reducing employees' turnover rate, decreasing material delay, etc., to reduce the overtime working hours.



Supplier

CAP Date:

06/30/2011

Action

Taken:

HBI's compliance team conducted the first follow-up visit on November 5, 2010. Payroll records and time records from June to September 2010 were reviewed. The weekly working hours were within 60 hours in this period. HBI's compliance team will visit the factory before the end of November 2011 to review: a) if the comprehensive working hour system has been renewed for another year, b) if the OT is on a voluntary basis and c) if the monthly and weekly OT hours are reasonable.

Plan

Complete:

No

Plan

Complete

Date:
